

CITY OF PERRY
Shiawassee County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* CITY OF PERRY	County* SHIAWASSEE	Type* CITY	MuniCode* 78-2-050
Opinion Date-Use Calendar* 10-3-08	Audit Submitted-Use Calendar* 12-30-08	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? _____
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report? _____

General Fund Revenue: ?	\$ 1,255,992.22
General Fund Expenditure: ?	\$ 1,118,806.28
Major Fund Deficit Amount: ?	\$ 0.00

General Fund Balance: ?	\$ 379,812.84
Governmental Activities Long-Term Debt (see instructions): ?	\$ 887,288.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations)

CPA (First Name)* MARK	Last Name* CAMPBELL	Ten Digit License Number* 1101007803		
CPA Street Address* 512 N. LINCOLN, STE 100	City* BAY CITY	State* MI	Zip Code* 48708	Telephone* +1 (989) 894-1040
CPA Firm Name* CAMPBELL, KUSTERER	Unit's Street Address* 203 W. POLLY	Unit's City* PERRY	Unit's Zip* 48872	

CITY OF PERRY
Shiawassee County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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October 3, 2008

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Perry
Shiawassee County, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of the City of Perry, Shiawassee County, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Perry's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the City of Perry, Shiawassee County, Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America..

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2008, on our consideration of the City of Perry's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the general City's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

CITY OF PERRY
Shiawassee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2008

The Management's Discussion and Analysis report of the City of Perry covers the City's financial performance during the year ended June 30, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at June 30, 2008 totaled \$961,856.82 for governmental activities and \$3,010,778.97 for business-type activities.

Overall revenues were \$2,092,384.52 (\$1,478,724.89 from governmental activities and \$613,659.63 from business-type activities). Governmental activities had a \$95,415.92 increase in net assets. Business-type activities had a decrease in net assets of \$48,898.88.

Fiscal year 07/08 was not without its challenges. We saw decreasing revenue from property taxes, decreasing state shared revenues, and the ripple effect of no growth in our community.

The City has managed to operate a full-time Police Department, a Public Works Department, and a fully-staffed City Hall, with no loss in services.

In the Sewer Fund, the City purchased a large Sewer Vac-truck, which has been instrumental in the day-to-day operation of the sewer department. It will benefit the department by extending the life of the system and keeping repair costs down.

Our voters this year passed an operation millage for our local Library to merge with the Community District Library. The Edna Bentley Memorial Library is now part of this larger Library. We have the best of both worlds; there will be more funding for programs and specials while keeping the hometown service.

The last installment was made on the streetscape project, which encompasses the majority of Main St. from Bath Rd. to Britton. The improvements were a great investment in our community.

One of the other much-needed improvements was a sidewalk on Britton Rd. east from Main St. to the High School. This was a joint venture with the school and the cost was considerably less than what was budgeted. This savings will allow us to continue with the sidewalk program.

The Police Department has a couple of new safety features. In case of emergency the officers have access to an automatic defibrillator. City Hall has one as well. It was approved by Council for the safety of the officers and for record keeping, that we have cameras installed in all the cars. The cameras were installed in late May.

The Police Department purchased a used car for the K-9 unit and had it outfitted for the dogs. The vehicle was purchased with revenues generated by drug law enforcement.

Public Works people were busy this year with the installation of a new well. This is the beginning of the construction phase of the Iron Treatment Plant. This project has been several years in the making, and it is exciting to see the progress.

Our job as Mayor and Council to make the financial decisions that best benefit the residents of the City of Perry at times may be difficult but it is always very rewarding.

CITY OF PERRY
Shiawassee County, Michigan

**MANAGEMENT'S DISCUSSION AND ANALYSIS- ENTITY-WIDE
FINANCIAL INFORMATION – CONDENSED FINANCIAL INFORMATION**
June 30, 2008

	Governmental Activities 2008	Business-type Activities 2008	Total 2008
Current Assets	574 782	336 217	910 999
Restricted assets	-	108 614	108 614
Fixed Assets	1 309 782	3 091 376	4 401 158
Other Assets	-	2 715	2 715
Total Assets	1 884 564	3 538 922	5 423 486
Current Liabilities	123 521	143 143	266 664
Non-Current Liabilities	799 186	385 000	1 184 186
Total Liabilities	922 707	528 143	1 450 850
Net Assets:			
Invested in Capital Assets	469 466	2 246 376	2 715 842
Restricted	-	108 614	108 614
Unrestricted	492 391	655 789	1 148 180
Total Net Assets	961 857	3 010 779	3 972 636

	Governmental Activities 2008	Business-type Activities 2008	Total 2008
Program Revenues:			
Fees and Charges for Services	370 188	585 949	956 137
General Revenues:			
Property Taxes	699 313	-	699 313
State Revenue Sharing	342 143	-	342 143
Interest	12 649	27 710	40 359
Miscellaneous	61 482	-	61 482
Total Revenues	1 485 775	613 659	2 099 434
Program Expenses:			
Legislative	13 908	-	13 908
General Government	354 126	-	354 126
Public Safety	465 649	-	465 649
Public Works	418 833	-	418 833
Water and Sewer	-	662 558	662 558
Recreation and Culture	90 981	-	90 981
Other	46 862	-	46 862
Total Expenses	1 390 359	662 558	2 052 917
Increase (Decrease) in Net Assets	95 416	(48 899)	46 517
Net Assets, July 1	866 441	3 059 678	3 926 119
Net Assets, June 30	961 857	3 010 779	3 972 636

CITY OF PERRY
Shiawassee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2008

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the City and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the City in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the City as a whole using accounting methods used by private companies. The statement of net assets includes all of the City's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the City are reported as governmental activities and business-type activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's funds, focusing on significant (major) funds not the City as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The City Council may also create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The City has the following types of funds:

Governmental Funds: Some of the City's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the City's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The City's governmental funds include the General Fund, the Major Street Fund, the Local Street Fund, the Library Fund, the Drug Law Enforcement Fund, the City Hall Building Fund, the Parks and Recreation Fund, and the Building Authority.

Business Type Funds: The City has a Water Fund and a Sewer Fund which includes the activity of providing water and sewer to City residents.

CITY OF PERRY
Shiawassee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2008

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund had an increase in fund balance of \$85,995.94. The Nonmajor Governmental Funds had a decrease in fund balance of \$57,140.29.

The Water Fund had a decrease in net assets of \$1,620.45 and the Sewer Fund had a decrease in net assets of \$47,278.43.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The City's governmental activities invested \$114,564.90 in capital assets.
The City's business-type activities invested \$395,520.55 in capital assets.
The City's governmental activities paid \$86,258.00 of principal on long-term debt.
The City's business-type activities paid \$80,000.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE CITY'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the City's finances and to demonstrate the City's accountability for the revenues it receives. If you have any questions concerning this report please contact the City Treasurer at (517) 625-6155.

CITY OF PERRY
Shiawassee County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
CURRENT ASSETS:			
Cash on hand	280 00	-	280 00
Cash in bank	456 115 05	271 531 21	727 646 26
Accounts receivable	16 441 89	64 685 44	81 127 33
Due from other units	87 398 99	-	87 398 99
Prepaid expenses	14 545 85	-	14 545 85
Total Current Assets	574 781 78	336 216 65	910 998 43
Restricted Cash in Bank	-	108 614 37	108 614 37
FIXED ASSETS:			
Capital Assets	2 526 123 75	5 364 055 26	7 890 179 01
Less: Accumulated Depreciation	(1 216 341 93)	(2 272 679 70)	(3 489 021 63)
Total Fixed Assets	1 309 781 82	3 091 375 56	4 401 157 38
OTHER ASSETS:			
Bond costs	-	2 715 33	2 715 33
Total Other Assets	-	2 715 33	2 715 33
TOTAL ASSETS	1 884 563 60	3 538 921 91	5 423 485 51
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	11 925 13	33 596 70	45 521 83
Wages payable	9 388 08	4 312 08	13 700 16
Other liabilities	8 605 57	6 076 39	14 681 96
Internal balances	5 500 00	(5 500 00)	-
Compensated absences	46 972 00	13 657 77	60 629 77
Current portion of long-term debt	41 130 00	91 000 00	132 130 00
Total Current Liabilities	123 520 78	143 142 94	266 663 72
NON-CURRENT LIABILITIES:			
Note payable	14 273 00	-	14 273 00
Bonds payable, net of current portion	784 913 00	385 000 00	1 169 913 00
Total Non-current Liabilities	799 186 00	385 000 00	1 184 186 00
Total Liabilities	922 706 78	528 142 94	1 450 849 72
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	469 465 82	2 246 375 56	2 715 841 38
Restricted	-	108 614 37	108 614 37
Unrestricted	492 391 00	655 789 04	1 148 180 04
Total Net Assets	961 856 82	3 010 778 97	3 972 635 79
TOTAL LIABILITIES AND NET ASSETS	1 884 563 60	3 538 921 91	5 423 485 51

The accompanying notes are an integral part of these financial statements.

CITY OF PERRY
Shiawassee County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	13 908 07	-	(13 908 07)
General government	354 125 76	207 602 46	(146 523 30)
Public safety	465 649 00	100 178 00	(365 471 00)
Public works	418 832 92	62 407 41	(356 425 51)
Recreation and culture	90 980 84	-	(90 980 84)
Interest on long-term debt	46 861 92	-	(46 861 92)
Total Governmental Activities	<u>1 390 358 51</u>	<u>370 187 87</u>	<u>(1 020 170 64)</u>
Business -Type Activities:			
Water and Sewer	662 558 51	585 949 35	-
Total Business-Type Activities	<u>662 558 51</u>	<u>585 949 35</u>	-
Total Government	<u>2 052 917 02</u>	<u>956 137 22</u>	<u>(1 020 170 64)</u>
General Revenues:			
Property taxes			699 312 79
State revenue sharing			342 142 55
Interest			12 649 04
Miscellaneous			61 482 18
Total General Revenues			<u>1 115 586 56</u>
Change in net assets			95 415 92
Net assets, beginning of year			<u>866 440 90</u>
Net Assets, End of Year			<u>961 856 82</u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(13 908 07)
-	(146 523 30)
-	(365 471 00)
-	(356 425 51)
-	(90 980 84)
-	(46 861 92)
-	(1 020 170 64)
<u>(76 609 16)</u>	<u>(76 609 16)</u>
<u>(76 609 16)</u>	<u>(76 609 16)</u>
<u>(76 609 16)</u>	<u>(1 096 779 80)</u>
-	699 312 79
-	342 142 55
27 710 28	40 359 32
-	61 482 18
<u>27 710 28</u>	<u>1 143 296 84</u>
(48 898 88)	46 517 04
<u>3 059 677 85</u>	<u>3 926 118 75</u>
<u>3 010 778 97</u>	<u>3 972 635 79</u>

CITY OF PERRY
Shiawassee County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2008

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash on hand	280 00	-	280 00
Cash in bank	281 358 29	63 344 81	344 703 10
Accounts receivable	16 441 89	-	16 441 89
Due from other funds	25 271 76	2 020 00	27 291 76
Due from other units	67 070 00	20 328 99	87 398 99
Prepaid expenses	14 545 85	-	14 545 85
	<u>404 967 79</u>	<u>85 693 80</u>	<u>490 661 59</u>
Total Assets			
	<u>404 967 79</u>	<u>85 693 80</u>	<u>490 661 59</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Due to other funds	-	2 020 00	2 020 00
Accounts payable	8 360 10	-	8 360 10
Wages payable	8 189 28	1 131 64	9 320 92
Deferred revenue	8 605 57	-	8 605 57
Total liabilities	<u>25 154 95</u>	<u>3 151 64</u>	<u>28 306 59</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>379 812 84</u>	<u>82 542 16</u>	<u>462 355 00</u>
Total fund equity	<u>379 812 84</u>	<u>82 542 16</u>	<u>462 355 00</u>
Total Liabilities and Fund Equity	<u>404 967 79</u>	<u>85 693 80</u>	<u>490 661 59</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PERRY
Shiawassee County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	462 355 00
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	2 526 123 75
Accumulated depreciation	(1 216 341 93)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	(826 043 00)
Note payable	(14 273 00)
Accrued compensated absences	(46 972 00)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets \$210,189.26 net of capital assets of \$133,181.26 included above	
	<u>77 008 00</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>961 856 82</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF PERRY
Shiawassee County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2008

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues:			
Property taxes	699 312 79	-	699 312 79
Licenses and permits	21 322 40	-	21 322 40
State revenue sharing	210 606 00	131 536 55	342 142 55
Charges for services	39 729 85	-	39 729 85
Interest	8 543 96	2 666 02	11 209 98
Special assessments	116 074 00	-	116 074 00
Rental income	103 236 02	55 700 00	158 936 02
Fines and forfeits	16 938 05	17 187 55	34 125 60
Miscellaneous	40 229 15	15 642 55	55 871 70
Total revenues	<u>1 255 992 22</u>	<u>222 732 67</u>	<u>1 478 724 89</u>
Expenditures:			
Legislative:			
City Council	13 908 07	-	13 908 07
General government:			
Mayor	15 184 22	-	15 184 22
Clerk	52 195 66	-	52 195 66
Treasurer	37 829 94	-	37 829 94
Assessor	31 093 23	-	31 093 23
Board of Review	609 00	-	609 00
Legal	27 527 12	-	27 527 12
Elections	1 669 47	-	1 669 47
General services administration	153 521 70	900 00	154 421 70
Buildings and grounds	1 922 66	1 773 30	3 695 96
Public safety:			
Police protection	351 828 06	4 034 03	355 862 09
Fire and ambulance	73 740 00	-	73 740 00
Planning and zoning	3 110 85	-	3 110 85
Building inspection	12 952 96	-	12 952 96
Public works:			
Department of Public Works	114 354 60	-	114 354 60
Highways and streets	-	177 053 04	177 053 04
Sanitation	67 441 60	-	67 441 60
Street lighting	37 320 57	-	37 320 57
Drains at large	30 372 30	-	30 372 30
Culture and recreation:			
Library	27 372 88	59 996 59	87 369 47
Recreation	1 127 49	-	1 127 49
Capital outlay	16 676 28	31 606 00	48 282 28
Debt service	47 047 62	55 700 00	102 747 62
Total expenditures	<u>1 118 806 28</u>	<u>331 062 96</u>	<u>1 449 869 24</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PERRY
Shiawassee County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2008

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over expenditures	<u>137 185 94</u>	<u>(108 330 29)</u>	<u>28 855 65</u>
Other financing sources (uses):			
Operating transfers in	-	74 190 00	74 190 00
Operating transfers out	<u>(51 190 00)</u>	<u>(23 000 00)</u>	<u>(74 190 00)</u>
Total other financing sources (uses)	<u>(51 190 00)</u>	<u>51 190 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	85 995 94	(57 140 29)	28 855 65
Fund balances, July 1	<u>293 816 90</u>	<u>139 682 45</u>	<u>433 499 35</u>
Fund Balances, June 30	<u><u>379 812 84</u></u>	<u><u>82 542 16</u></u>	<u><u>462 355 00</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF PERRY
Shiawassee County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	28 855 65
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(100 983 18)
Capital Outlay	114 564 90

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	5 610 48
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Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	86 258 00
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Internal service funds are used by management to charge the costs of equipment services to individual funds. Net revenue of the internal service fund is reported within governmental activities, net of depreciation expense of \$44,440.70 and capital asset additions of \$66,282.62, included above	(38 889 93)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>95 415 92</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF PERRY
Shiawassee County, Michigan

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
June 30, 2008

	<u>Business Type Funds</u>		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<u>Assets</u>			
Current Assets:			
Cash in bank	246 653 40	24 877 81	271 531 21
Accounts receivable	33 545 17	31 140 27	64 685 44
Due from other funds	369 000 00	5 500 00	374 500 00
Total current assets	<u>649 198 57</u>	<u>61 518 08</u>	<u>710 716 65</u>
Restricted assets:			
Cash in bank	53 245 66	55 368 71	108 614 37
Total restricted assets	<u>53 245 66</u>	<u>55 368 71</u>	<u>108 614 37</u>
Fixed assets:			
Land	116 162 00	30 341 20	146 503 20
Plant, property and equipment	3 365 135 47	1 642 823 77	5 007 959 24
Construction in progress	-	209 592 92	209 592 82
Total fixed assets	<u>3 481 297 47</u>	<u>1 882 757 79</u>	<u>5 364 055 26</u>
Less: accumulated depreciation	<u>(1 585 961 84)</u>	<u>(686 717 86)</u>	<u>(2 272 679 70)</u>
Net fixed assets	<u>1 895 335 63</u>	<u>1 196 039 93</u>	<u>3 091 375 56</u>
Other assets:			
Bond costs	2 190 33	525 00	2 715 33
Total other assets	<u>2 190 33</u>	<u>525 00</u>	<u>2 715 33</u>
Total Assets	<u>2 599 970 19</u>	<u>1 313 451 72</u>	<u>3 913 421 91</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Due to other funds	-	369 000 00	369 000 00
Accounts payable	993 27	32 603 43	33 596 70
Wages payable	2 327 49	1 984 59	4 312 08
Interest payable	618 75	5 457 64	6 076 39
Compensated absences	6 783 03	6 874 74	13 657 77
Current portion of long-term debt	50 000 00	41 000 00	91 000 00
Total current liabilities	<u>60 722 54</u>	<u>456 920 40</u>	<u>517 642 94</u>
Long-term Liabilities:			
Bonds payable net of current portion	-	385 000 00	385 000 00
Total long-term liabilities	<u>-</u>	<u>385 000 00</u>	<u>385 000 00</u>
Net Assets:			
Invested in capital assets			
net of related debt	1 845 335 63	401 039 93	2 246 375 56
Restricted	53 245 66	55 368 71	108 614 37
Unrestricted	640 666 36	15 122 68	655 789 04
Total net assets	<u>2 539 247 65</u>	<u>471 531 32</u>	<u>3 010 778 97</u>
Total Liabilities and Net Assets	<u>2 599 970 19</u>	<u>1 313 451 72</u>	<u>3 913 421 91</u>

The accompanying notes are an integral part of these financial statements.

Internal Service Funds

<u>Motor Pool Fund</u>	<u>Office Equipment Pool Fund</u>	<u>Total</u>
76 197 69	9 942 50	86 140 19
-	-	-
-	-	-
<u>76 197 69</u>	<u>9 942 50</u>	<u>86 140 19</u>
-	-	-
-	-	-
-	-	-
473 228 84	68 354 98	541 583 82
-	-	-
<u>473 228 84</u>	<u>68 354 98</u>	<u>541 583 82</u>
<u>(344 243 50)</u>	<u>(64 159 06)</u>	<u>(408 402 56)</u>
<u>128 985 34</u>	<u>4 195 92</u>	<u>133 181 26</u>
-	-	-
-	-	-
<u>205 183 03</u>	<u>14 138 42</u>	<u>219 321 45</u>
5 500 00	-	5 500 00
3 565 03	-	3 565 03
67 16	-	67 16
-	-	-
-	-	-
-	-	-
<u>9 132 19</u>	<u>-</u>	<u>9 132 19</u>
-	-	-
-	-	-
128 985 34	4 195 92	133 181 26
-	-	-
<u>67 065 50</u>	<u>9 942 50</u>	<u>77 008 00</u>
<u>196 050 84</u>	<u>14 138 42</u>	<u>210 189 26</u>
<u>205 183 03</u>	<u>14 138 42</u>	<u>219 321 45</u>

CITY OF PERRY
Shiawassee County, Michigan

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS – PROPRIETARY FUNDS**
Year ended June 30, 2008

	<u>Business Type Funds</u>		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services	<u>309 948 35</u>	<u>276 001 00</u>	<u>585 949 35</u>
Total Operating Revenues	<u>309 948 35</u>	<u>276 001 00</u>	<u>585 949 35</u>
OPERATING EXPENSES:			
Wages	87 156 45	81 905 87	169 062 32
Fringe benefits	36 100 61	36 913 12	73 013 73
Administration fees	5 000 00	5 000 00	10 000 00
Operating supplies	3 456 85	18 689 11	22 145 96
Contracted services	10 612 70	5 720 92	16 333 62
Building and equipment rentals	102 590 98	32 585 69	135 176 67
Utilities	7 288 37	9 605 31	16 893 68
Repairs and maintenance	37 765 26	30 628 58	68 393 84
Miscellaneous	<u>3 094 12</u>	<u>3 778 52</u>	<u>6 872 64</u>
Total Operating Expenses	<u>293 065 34</u>	<u>224 827 12</u>	<u>517 892 46</u>
Operating Income (loss) before depreciation	16 883 01	51 173 88	68 056 89
Less: depreciation	<u>(82 668 17)</u>	<u>(35 619 50)</u>	<u>(118 287 67)</u>
Operating income (loss)	<u>(65 785 16)</u>	<u>15 554 38</u>	<u>(50 230 78)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	22 607 35	5 102 93	27 710 28
Interest expense	<u>(4 100 62)</u>	<u>(22 277 76)</u>	<u>(26 378 38)</u>
Total Non-operating Revenues (Expenses)	<u>18 506 73</u>	<u>(17 174 83)</u>	<u>1 331 90</u>
Change in net assets	(47 278 43)	(1 620 45)	(48 898 88)
Net assets, beginning of year	<u>2 586 526 08</u>	<u>473 151 77</u>	<u>3 059 677 85</u>
Net Assets, End of Year	<u>2 539 247 65</u>	<u>471 531 32</u>	<u>3 010 778 97</u>

The accompanying notes are an integral part of these financial statements.

Internal Service Funds

<u>Motor Pool Fund</u>	<u>Office Equipment Pool Fund</u>	<u>Total</u>
<u>114 661 39</u>	<u>15 550 00</u>	<u>130 211 39</u>
<u>114 681 39</u>	<u>15 550 00</u>	<u>130 211 39</u>
6 487 20	-	6 487 20
7 288 66	-	7 288 66
6 500 00	-	6 500 00
39 209 69	4 089 35	43 299 04
-	-	-
-	-	-
-	-	-
24 778 13	15 904 73	40 682 86
<u>-</u>	<u>-</u>	<u>-</u>
<u>84 263 68</u>	<u>19 994 08</u>	<u>104 257 76</u>
30 397 71	(4 444 08)	25 953 63
<u>(40 537 00)</u>	<u>(3 903 70)</u>	<u>(44 440 70)</u>
<u>(10 139 29)</u>	<u>(8 347 78)</u>	<u>(18 487 07)</u>
1 229 99	209 07	1 439 06
-	-	-
<u>1 229 99</u>	<u>209 07</u>	<u>1 439 06</u>
(8 909 30)	(8 138 71)	(17 048 01)
<u>204 960 14</u>	<u>22 277 13</u>	<u>227 237 27</u>
<u>196 050 84</u>	<u>14 138 42</u>	<u>210 189 26</u>

CITY OF PERRY
Shiawassee County, Michigan

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year ended June 30, 2008

	<u>Business Type Funds</u>		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	309 710 85	269 594 73	579 305 58
Cash payments to suppliers for goods and services	(206 482 07)	(117 781 96)	(324 264 03)
Cash payments to employees for services	(87 156 45)	(81 905 87)	(169 062 32)
Net cash provided (used) by operating activities	<u>16 072 33</u>	<u>69 906 90</u>	<u>85 979 23</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:			
Net borrowings (repayments) with other funds	(234 000 00)	235 119 00	1 119 00
Net cash provided (used) for non-capital and related financing activities	<u>(234 000 00)</u>	<u>235 119 00</u>	<u>1 119 00</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of fixed assets	(125 195 00)	(270 325 55)	(395 520 55)
Value of deleted fixed assets	-	-	-
Principal paid on bond maturities	(45 000 00)	(35 000 00)	(80 000 00)
Interest paid on bonds	(4 100 62)	(22 277 76)	(26 378 38)
Net cash provided (used) for capital and related financing activities	<u>(174 295 62)</u>	<u>(327 603 31)</u>	<u>(501 898 93)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	22 607 35	5 102 93	27 710 28
Net cash provided (used) by operating activities	<u>22 607 35</u>	<u>5 102 93</u>	<u>27 710 28</u>
Net increase (decrease) in cash	(369 615 94)	(17 474 48)	(387 090 42)
Cash beginning of year	<u>669 515 00</u>	<u>97 721 00</u>	<u>767 236 00</u>
Cash End of Year	<u><u>299 899 06</u></u>	<u><u>80 246 52</u></u>	<u><u>380 145 58</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Income (loss) from operations	(65 785 16)	15 554 38	(50 230 78)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	82 668 17	35 619 50	118 287 67
(Increase) decrease in receivables	(237 50)	(6 406 27)	(6 643 77)
Increase (decrease) in payable	(573 18)	25 139 29	24 566 11
Net Cash Provided (Used) in Operating Activities	<u><u>16 072 33</u></u>	<u><u>69 906 90</u></u>	<u><u>85 979 23</u></u>

The accompanying notes are an integral part of these financial statements.

Internal Service Funds		
Motor Pool Fund	Office Equipment Pool Fund	Total
114 661 39	15 550 00	130 211 39
(74 358 87)	(12 905 57)	(87 264 44)
<u>(6 487 20)</u>	<u>-</u>	<u>(6 487 20)</u>
<u>33 815 32</u>	<u>2 644 43</u>	<u>36 459 75</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
(66 282 62)	-	(66 282 62)
53 750 00	-	53 750 00
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>(12 532 62)</u>	<u>-</u>	<u>(12 532 62)</u>
<u>1 229 99</u>	<u>209 07</u>	<u>1 439 06</u>
<u>1 229 99</u>	<u>209 07</u>	<u>1 439 06</u>
22 512 69	2 853 50	25 366 19
<u>53 685 00</u>	<u>7 089 00</u>	<u>60 774 00</u>
<u>76 197 69</u>	<u>9 942 50</u>	<u>86 140 19</u>
(10 139 29)	(8 347 78)	(18 487 07)
40 537 00	3 903 70	44 440 70
-	-	-
<u>3 417 61</u>	<u>7 088 51</u>	<u>10 506 12</u>
<u>33 815 32</u>	<u>2 644 43</u>	<u>36 459 75</u>

CITY OF PERRY
Shiawassee County, Michigan

BALANCE SHEET – FIDUCIARY FUNDS
Year ended June 30, 2008

	<u>Agency Funds</u>		
	<u>Current Tax Collection</u>	<u>Imprest Payroll</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	<u>100 00</u>	<u>25 171 76</u>	<u>25 271 76</u>
Total Assets	<u>100 00</u>	<u>25 171 76</u>	<u>25 271 76</u>
<u>Liabilities</u>			
Due to other funds	<u>100 00</u>	<u>25 171 76</u>	<u>25 271 76</u>
Total Liabilities	<u>100 00</u>	<u>25 171 76</u>	<u>25 271 76</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PERRY
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the City of Perry, Shiawassee County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the City contain all the City funds that are controlled by or dependent on the City's executive or legislative branches.

The reporting entity is the City of Perry. The City is governed by an elected City Council. As required by generally accepted accounting principles, these financial statements present the City as the primary government.

Component Units

The City has considered all potential component units in evaluating how to define the city for financial reporting purposes. The decision to include the component units in the reporting entity was made by applying the criteria set forth in Statement 14 of the Governmental Accounting Standards Board (GASB), The Financial Reporting Entity as well as the Statement of Michigan Governmental Accounting and Auditing No. 5, which defines the reporting of primary government and component unit activities. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial statements is the exercise of financial responsibility over such agencies by the governmental unit's elected officials, the selection of the governing authority, the designation of management, and the ability to exercise significant influence over operations.

A blended component unit is legally separate entity from the City, but is so intertwined with the City that it is in substance the same as the City. It is reported as part of the City and blended into the appropriate funds.

Building Authority – The Perry Area Building Authority exists and operates for the purpose of owning, equipping, operating and maintenance of property leased by the City of Perry. For the year the City made lease payments amounting to \$55,700.00 for occupancy of facilities owned by the Authority. The board members of the Authority are appointed by City Council. Since the Perry Building Authority exists and operates for the sole benefit of the City of Perry, its financial records are included as a blended component in the general purpose financial statement of the City.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

CITY OF PERRY
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1 – Summary of Significant Accounting Policies – (continued)

Major individual governmental and business type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering good in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

CITY OF PERRY
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Internal Service Funds account for the financing of goods or services by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the City. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on March 1. The City 2007 tax roll millage rate was 14.0789 mills, and the taxable value was \$49,589,596.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

CITY OF PERRY
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Capital Assets

Capital assets are defined by the City as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land and Improvements	10 – 20 years
Building and Building Improvements	25 – 40 years
Utility Systems	25 – 40 years
Roads	25 years
Other Infrastructure	20 – 40 years
Vehicles	5 – 10 years
Machinery and Equipment	5 – 10 years

Compensated Absences (Vacation and Sick Leave)

Full-time employees receive 48 hours of sick leave time after completing six months of employment. Thereafter, sick leave time accumulates eight hours per month with a maximum accumulation of 960 hours. Full-time employees who have accumulated their 960 hours will be paid for half of the unused sick leave time for the year on the first pay of December of each year. The balance will be lost due to accumulation. The City will also pay one-third accumulated sick leave time upon retirement or death. Other reasons for termination will not be reimbursed for accumulated sick leave. Full-time employees earn vacation time at the following rate: 40 hours after one year of service, 80 hours after two years of service, 120 hours after five years of service, 160 hours after 15 years of service, and 200 hours after twenty years of service. If vacation time is not used during the year, employees may carry over up to 40 hours to the next year. Any remaining unused vacation time will be paid at the employee's normal rate of pay in the first pay period following their anniversary date. Upon termination, employees will be paid accumulated vacation time. All vacation pay and one third sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for terminations as of year end.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the City Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.

CITY OF PERRY
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 2 – Budgets and Budgetary Accounting (continued)

4. The budgets are adopted at the activity level by a majority vote of the City Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the City Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the City Council during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the City to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The City Council has designated four banks for the deposit of City funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The City's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>836 260 63</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	176 657 74
Uninsured and Uncollateralized	<u>715 777 21</u>
Total Deposits	<u>892 434 95</u>

The City of Perry did not have any investments as of June 30, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

CITY OF PERRY
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits and Investments (continued)

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization. The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the City's Governmental and Business-Type activities for the current year was as follows:

	Balance 7/1/07	Additions	Deletions	Balance 6/30/08
<u>Governmental Activities:</u>				
Land	33 869 00	-	-	33 869 00
Buildings	1 134 564 00	-	-	1 134 564 00
Infrastructure	338 947 99	-	-	338 947 99
Equipment	<u>962 677 86</u>	<u>114 564 90</u>	<u>(58 500 00)</u>	<u>1 018 742 76</u>
Total	2 470 058 85	114 564 90	(58 500 00)	2 526 123 75
Accumulated Depreciation	<u>(1 120 108 75)</u>	<u>(100 983 18)</u>	<u>4 750 00</u>	<u>(1 216 341 93)</u>
Net Governmental Capital Assets	<u>1 349 950 10</u>	<u>13 581 72</u>	<u>(53 750 00)</u>	<u>1 309 781 82</u>
<u>Business-Type Activities:</u>				
Land	119 362 00	27 141 20	-	146 503 20
Plant, property and equipment	4 815 464 24	192 495 00	-	5 007 959 24
Construction in progress	<u>33 708 47</u>	<u>175 884 35</u>	<u>-</u>	<u>209 592 82</u>
Total	4 968 534 71	395 520 55	-	5 364 055 26
Accumulated Depreciation	<u>(2 154 392 03)</u>	<u>(118 287 67)</u>	<u>-</u>	<u>(2 272 679 70)</u>
Net Business-Type Capital Assets	<u>2 814 142 68</u>	<u>277 232 88</u>	<u>-</u>	<u>3 091 375 56</u>

CITY OF PERRY
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 5 – Long-Term Debt

The City issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Special assessment bonds provide for capital improvements that benefit specific properties benefited from the construction.

Long-term obligation activity is summarized as follows:

	Balance 7/1/07	<u>Additions</u>	<u>Deductions</u>	Balance 6/30/08
<u>Governmental Activities:</u>				
Special Assessment Bonds				
1998 Spalding Drain	172 173 00	-	19 130 00	153 043 00
Building Authority Bonds	69 400 00	-	21 000 00	673 000 00
Chemical Bank Note	59 679 00	-	45 406 00	14 273 00
Compensated Absences	47 694 00	-	722 00	46 972 00
Total	<u>973 546 00</u>	<u>-</u>	<u>86 258 00</u>	<u>887 288 00</u>
<u>Business-Type Activities</u>				
Revenue Bonds				
1982 Water System	365 000 00	-	15 000 00	340 000 00
1983 Water System	75 000 00	-	5 000 00	70 000 00
1989 Wastewater Treatment	95 000 00	-	45 000 00	50 000 00
1999 Water System	31 000 00	-	15 000 00	16 000 00
Total	<u>556 000 00</u>	<u>-</u>	<u>80 000 00</u>	<u>476 000 00</u>

The following is a summary of maturity dates, interest rates, and maturities:

Governmental Activities

Special Assessment Bonds

1998 Shiawassee County			
Drain Company	10-01-15	5%	19,130.00 – 19,149.00
Building Authority Bonds	01-01-27	5%	20,000.00 – 53,000.00
Chemical Bank Note	09-05-08	3.34%	11,068.00 – 24,306.00

Business-Type Activities

Revenue Bonds:

1982 Water System	10-01-21	5%	10,000.00 – 30,000.00
1983 Water System	10-01-21	5%	1,000.00 – 5,000.00
1989 Wastewater Treatment	05-01-09	6.5% - 7.25%	15,000.00 – 50,000.00
1999 Water System	02-01-09	4.875% - 4.95%	10,000.00 – 16,000.00

CITY OF PERRY
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 5 – Long-Term Debt – (continued)

Outstanding principal balances to maturity for the above bond obligations are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Governmental Activities</u> <u>Principal</u>	<u>Business-Type Activities</u> <u>Principal</u>
2008	19 130 00	91 000 00
2009	55 403 00	25 000 00
2010	42 130 00	140 000 00
2011 - 2015	229 653 00	155 000 00
2016 - 2020	173 000 00	65 000 00
2021 - 2025	217 000 00	-
2026- 2027	104 000 00	-
Total	<u>840 316 00</u>	<u>476 000 00</u>

Note 6 – Water Supply System Revenue Bonds, Series 2008

On June 23, 2008, the City of Perry issued Water Supply System Revenue Bonds in the amount of \$1,645,000.00 to fund improvements to the water supply system. The bonds bear interest at the rate of 2.5% per annum, payable semi-annually on April 1 and October 1 of each year. As of June 30, 2008, the City did not receive any of the bond proceeds and therefore no bonds payable were recorded at June 30, 2008. As the bond proceeds are received, the bonds payable will be recorded in the City Water Fund as follows:

<u>Due</u> <u>October 1</u>	<u>Principal</u> <u>Amount</u>
2009	10 000 00
2010	70 000 00
2011	70 000 00
2012	70 000 00
2013	75 000 00
2014	75 000 00
2015	75 000 00
2016	80 000 00
2017	80 000 00
2018	85 000 00
2019	85 000 00
2020	90 000 00
2021	90 000 00
2022	90 000 00
2023	95 000 00
2024	95 000 00
2025	100 000 00
2026	100 000 00
2027	105 000 00
2028	105 000 00
Total	<u>1 645 000 00</u>

CITY OF PERRY
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 7 – Reserved Net Assets

At June 30, 2008, the following portions of net assets were reserved in the following funds:

Enterprise Funds

Sewer Bond Reserves	53 245 66
Water Bond Reserves	<u>55 368 71</u>
Total	<u>108 614 37</u>

Note 8 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	100 00	Current Tax Collection	100 00
General	25 171 76	Imprest Payroll	25 171 76
Major Street	2 020 00	City Hall Building	2 020 00
Water	5 500 00	Motor Pool	5 500 00
Sewer	<u>369 000 00</u>	Water	<u>369 000 00</u>
Total	<u>401 791 76</u>	Total	<u>401 791 76</u>

Note 9 – Transfers In and Transfers Out

For the fiscal year ended, June 30, 2008, the City made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Library	41 190 00	General	41 190 00
Local Street	10 000 00	General	10 000 00
Local Street	<u>23 000 00</u>	Major Street	<u>23 000 00</u>
Total	<u>74 190 00</u>	Total	<u>74 190 00</u>

Note 10 – Building Permits

For the year ended June 30, 2008, the City had building permit revenue of \$5,404.00 and expenses of \$12,952.96.

Note 11 – Budget Variances

For the fiscal year ended June 30, 2008, the City had the following budget variances:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variances</u>
General Fund:			
Mayor	15 143 00	15 184 22	41 22
Treasurer	37 380 00	37 829 94	449 94
Sanitation	62 840 00	67 441 60	4 601 60

Note 12 – Post – employment Benefits

The City provides post-employment health insurance benefits to qualified retired employees though age 65, at which time the City provides supplemental insurance coverage to Medicare. The cost of these benefits is paid by the City and is funded on a pay-as-you-go basis. The City's cost of providing the health insurance benefits to retirees for the year was \$13,022.80.

CITY OF PERRY
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Post – employment Benefits (continued)

In addition, the City provides post-employment health insurance benefits to the extent mandated by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The requirements established by COBRA are fully funded by former employees who elect coverage under the Act, and no direct costs are incurred by the City.

Note 13 – Segment Information for Enterprise Funds

The City maintains two Enterprise Funds which provide sewer and water services. Segment information for the year ended June 30, 2008, is as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>
Operating revenues	309 948 35	276 001 00
Depreciation expense	82 668 17	35 619 50
Operating income (loss)	(65 785 16)	15 554 38
Change in net assets	(47 278 43)	(1 620 45)
Property, plant and equipment:		
Additions	125 195 00	270 325 55
Net working capital	588 476 03	(395 402 32)
Bonds payable	50 000 00	426 000 00
Total net assets	2 539 247 65	471 531 32

Note 14 – Pension Plan

The City of Perry, Michigan, Employees' Retirement Plan is a IRC Section 501 (a) defined contribution plan which is available to all City employees regularly scheduled to work more than 24 hours per week. The Plan Administrator is The Variable Annuity Life Insurance Company, An American General Company. The Plan provides that the City must contribute 5% of each participant's compensation and each participant must contribute 2.5% of compensation to the plan.

Normal retirement is age 60 or 5 years of participation in the plan, whichever is later.

Vesting occurs as follows:

<u>Years of Service</u>	<u>Vesting Percentage</u>
Less than 3	0%
3 but less than 4	20%
4 but less than 5	40%
5 but less than 6	60%
6 but less than 7	80%
7 or more	100%

Years of service for vesting include all years of service (not only years of plan participation).

Employee and employer contributions were \$12,821.07 and \$25,642.04, respectively for the year ended June 30, 2008.

CITY OF PERRY
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 15 – Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages risk through the purchase of commercial insurance. Settled claims for commercial insurance have not materially exceeded the amount of insurance coverage in any of the past three fiscal years.

Liabilities, vehicle, physical damage, property and crime – the City is a member of the Michigan Municipal Liability and Property Pool which is an Association organized to purchase commercial insurance for protection against loss for Michigan cities, counties, townships and special services governments. The city is insured up to an aggregate of \$5,000,000.00. Coverage is subject to deductibles ranging from \$250 to \$500. The City is not subject to supplemental premium assessments by the association.

Workers' Compensation – The City purchases coverage through the Michigan Municipal Workers' Compensation Fund. The fund is authorized by State Law to provide its members coverage required by the Workers' Disability Compensation Act. Claims are subject to a maximum limit of \$500,000 per occurrence.

Note 16 – Restatements

Adjustments were made to restate the fund balances/net assets of governmental and business type activities at July 1, 2007 as follows:

	<u>Business Type Activities Net Assets</u>	<u>Governmental Activities Net Assets</u>	<u>General Fund Fund Balance</u>	<u>Drug Law Enforcement Fund Fund Balance</u>
Fund balances/ net assets –				
June 30, 2007	3 025 969 38	852 220 00	279 596 00	4 244 93
Prior period restatements:				
To recognize cash in bank due				
from Imprest Payroll Fund	-	14 220 90	14 220 90	-
To delete fixed assets				
capitalized within fund	-	-	-	(2 700 00)
To capitalize Water Fund				
construction in progress	33 708 47	-	-	-
Adjusted Fund Balances/ Net				
Assets – July 1, 2007	<u>3 059 677 85</u>	<u>866 440 90</u>	<u>293 816 90</u>	<u>1 544 93</u>

CITY OF PERRY
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	685 481 00	685 481 00	699 312 79	13 831 79
Licenses and permits	24 740 00	24 740 00	21 322 40	(3 417 60)
State revenue sharing	214 711 00	214 711 00	210 606 00	(4 105 00)
Charges for services	39 000 00	39 000 00	39 729 85	729 85
Interest	9 058 00	9 058 00	8 543 96	(514 04)
Special assessments	114 576 00	114 576 00	116 074 00	1 498 00
Rental income	103 235 00	103 235 00	103 236 02	1 02
Fines and forfeits	13 400 00	13 400 00	16 938 05	3 538 05
Miscellaneous	14 750 00	14 750 00	40 229 15	25 479 15
Total revenues	1 218 951 00	1 218 951 00	1 255 992 22	37 041 22
Expenditures:				
Legislative:				
City Council	17 733 00	17 733 00	13 908 07	(3 824 93)
General government:				
Mayor	12 243 00	15 143 00	15 184 22	41 22
Clerk	59 677 00	59 677 00	52 195 66	(7 481 34)
Treasurer	36 630 00	37 380 00	37 829 94	449 94
Assessor	25 036 00	31 572 00	31 093 23	(478 77)
Board of Review	900 00	900 00	609 00	(291 00)
Legal	26 000 00	27 600 00	27 527 12	(72 88)
Elections	500 00	1 700 00	1 669 47	(30 53)
General services administration	152 668 00	165 568 00	153 521 70	(12 046 30)
Buildings and grounds	3 500 00	3 500 00	1 922 66	(1 577 34)
Public safety:				
Police protection	383 541 00	375 541 00	351 828 06	(23 712 94)
Fire and ambulance	74 510 00	74 510 00	73 740 00	(770 00)
Planning and zoning	5 400 00	5 900 00	3 110 85	(2 789 15)
Building inspection	15 302 00	15 302 00	12 952 96	(2 349 04)
Public works:				
Department of Public Works	131 906 00	131 906 00	114 354 60	(17 551 40)
Sanitation	62 840 00	62 840 00	67 441 60	4 601 60
Street lighting	30 000 00	37 325 00	37 320 57	(4 43)
Drains at large	30 565 00	30 565 00	30 372 30	(192 70)
Culture and recreation:				
Library	-	27 590 00	27 372 88	(217 12)
Recreation	4 000 00	4 000 00	1 127 49	(2 872 51)
Capital outlay	13 010 00	19 010 00	16 676 28	(2 333 72)
Debt service	47 048 00	47 048 00	47 047 62	(38)
Total expenditures	1 133 009 00	1 192 310 00	1 118 806 28	(73 503 72)

CITY OF PERRY
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Excess (deficiency) of revenues over expenditures	<u>85 942 00</u>	<u>26 641 00</u>	<u>137 185 94</u>	<u>110 544 94</u>
Other financing sources (uses):				
Operating transfers out	<u>(82 270 00)</u>	<u>(57 270 00)</u>	<u>(51 190 00)</u>	<u>6 080 00</u>
Total other financing sources (uses)	<u>(82 270 00)</u>	<u>(57 270 00)</u>	<u>(51 190 00)</u>	<u>6 080 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	3 672 00	(30 629 00)	85 995 94	116 624 94
Fund balance, July 1	<u>-</u>	<u>30 629 00</u>	<u>293 816 90</u>	<u>263 187 90</u>
Fund Balance, June 30	<u><u>3 672 00</u></u>	<u><u>-</u></u>	<u><u>379 812 84</u></u>	<u><u>379 812 84</u></u>

CITY OF PERRY
Shiawassee County, Michigan

COMBINING BALANCE SHEET – ALL NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2008

	<u>Major Street</u>	<u>Local Street</u>	<u>Library</u>	<u>Drug Law Enforcement</u>	<u>City Hall Building</u>
<u>Assets</u>					
Cash in bank	25 768 16	3 812 55	-	4 341 85	15 547 77
Due from other funds	2 020 00	-	-	-	-
Due from other units	<u>14 123 70</u>	<u>6 205 29</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>41 911 86</u></u>	<u><u>10 017 84</u></u>	<u><u>-</u></u>	<u><u>4 341 85</u></u>	<u><u>15 547 77</u></u>
<u>Liabilities and Fund Equity</u>					
Liabilities:					
Due to other funds	-	-	-	-	2 020 00
Wages payable	<u>579 37</u>	<u>552 27</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>579 37</u>	<u>552 27</u>	<u>-</u>	<u>-</u>	<u>2 020 00</u>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	<u>41 332 49</u>	<u>9 465 57</u>	<u>-</u>	<u>4 341 85</u>	<u>13 527 77</u>
Total fund equity	<u>41 332 49</u>	<u>9 465 57</u>	<u>-</u>	<u>4 341 85</u>	<u>13 527 77</u>
Total Liabilities and Fund Equity	<u><u>41 911 86</u></u>	<u><u>10 017 84</u></u>	<u><u>-</u></u>	<u><u>4 341 85</u></u>	<u><u>15 547 77</u></u>

<u>Park and Recreation</u>	<u>Building Authority</u>	<u>Total</u>
5 645 52	8 228 96	63 344 81
-	-	2 020 00
-	-	20 328 99
<u>5 645 52</u>	<u>8 228 96</u>	<u>85 693 80</u>
-	-	2 020 00
-	-	1 131 64
-	-	3 151 64
<u>5 645 52</u>	<u>8 228 96</u>	<u>82 542 16</u>
<u>5 645 52</u>	<u>8 228 96</u>	<u>82 542 16</u>
<u>5 645 52</u>	<u>8 228 96</u>	<u>85 693 80</u>

CITY OF PERRY
Shiawassee County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL NONMAJOR GOVERNEMENTAL FUNDS
Year ended June 30, 2008

	<u>Major Street</u>	<u>Local Street</u>	<u>Library</u>	<u>Drug Law Enforcement</u>	<u>City Hall Building</u>
Revenues:					
State revenue sharing	87 756 46	42 209 43	1 570 66	-	-
Interest	1 099 91	498 19	-	100 95	889 68
Rental Income	-	-	-	-	-
Fines and forfeits	-	-	7 507 55	9 680 00	-
Miscellaneous	-	-	5 840 05	-	4 225 00
Total revenues	<u>88 856 37</u>	<u>42 707 62</u>	<u>14 918 26</u>	<u>9 780 95</u>	<u>5 114 68</u>
Expenditures:					
General government:					
General services administration	-	-	-	-	-
Buildings and grounds	-	-	-	-	1 773 30
Public safety:					
Police protection	-	-	-	4 034 03	-
Public Works:					
Highways and streets	91 441 41	85 611 63	-	-	-
Culture and recreation:					
Library	-	-	59 996 59	-	-
Capital outlay	-	-	-	2 950 00	28 656 00
Debt service	-	-	-	-	-
Total expenditures	<u>91 441 41</u>	<u>85 611 63</u>	<u>59 996 59</u>	<u>6 984 03</u>	<u>30 429 30</u>
Excess (deficiency) of revenues over expenditures	<u>(2 585 04)</u>	<u>(42 904 01)</u>	<u>(45 078 33)</u>	<u>2 796 92</u>	<u>(25 314 62)</u>
Other financing sources (uses):					
Operating transfers in	-	33 000 00	41 190 00	-	-
Operating transfers out	<u>(23 000 00)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(23 000 00)</u>	<u>33 000 00</u>	<u>41 190 00</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(25 585 04)</u>	<u>(9 904 01)</u>	<u>(3 888 33)</u>	<u>2 796 92</u>	<u>(25 314 62)</u>
Fund balances, July 1	<u>66 917 53</u>	<u>19 369 58</u>	<u>3 888 33</u>	<u>1 544 93</u>	<u>38 842 39</u>
Fund Balances, June 30	<u>41 332 49</u>	<u>9 465 57</u>	<u>-</u>	<u>4 341 85</u>	<u>13 527 77</u>

<u>Park and Recreation</u>	<u>Building Authority</u>	<u>Total</u>
-	-	131 536 55
68 02	9 27	2 666 02
-	55 700 00	55 700 00
-	-	17 187 55
<u>5 577 50</u>	<u>-</u>	<u>15 642 55</u>
<u>5 645 52</u>	<u>55 709 27</u>	<u>222 732 67</u>
-	900 00	900 00
-	-	1 773 30
-	-	4 034 03
-	-	117 053 04
-	-	59 996 59
-	-	31 606 00
<u>-</u>	<u>55 700 00</u>	<u>55 700 00</u>
<u>-</u>	<u>56 600 00</u>	<u>331 062 96</u>
<u>5 645 52</u>	<u>(890 73)</u>	<u>(108 330 29)</u>
-	-	74 190 00
<u>-</u>	<u>-</u>	<u>(23 000 00)</u>
<u>-</u>	<u>-</u>	<u>51 190 00</u>
5 645 52	(890 73)	(57 140 29)
<u>-</u>	<u>9 119 69</u>	<u>139 682 45</u>
<u>5 645 52</u>	<u>8 228 96</u>	<u>82 542 16</u>

CAMPBELL, KUSTERER & CO., P.C.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 3, 2008

To the City Council
City of Perry
Shiawassee County, Michigan

We have audited the financial statements of the governmental activities, business type activities and each major fund, of the City of Perry, Shiawassee County, Michigan, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Perry's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Perry's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted an inadequate control over accounting transactions caused by an inherent lack of segregation of duties which is due to the limited number of office personnel employed involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of management and other regulatory agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER AND CO., P.C.
Certified Public Accountants

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

October 3, 2008

To the City Council
City of Perry
Shiawassee County, Michigan

We have audited the financial statements of the City of Perry for the year ended June 30, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the City of Perry in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the City Council
City of Perry
Shiawassee County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were given to the City Treasurer and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The City's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The City cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the City Council Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the City's financial statements and this communication of these matters does not affect our report on the City's financial statements, dated June 30, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants